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# MONTANA

## MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM MEMBER HANDBOOK



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## Preface

This *Municipal Police Officers' Retirement System Member Handbook* is a general summary of the benefits provided by the Montana Municipal Police Officers' Retirement System (MPORS). It is intended to give you a general idea of your benefits and to acquaint you with the MPORS. Every effort has been made to ensure the contents agree with the law and rules. The law and its interpretation can change, so this handbook may be out-of-date a few years after it is published. This handbook is not a final source of the law and rules. IT SHOULD NOT BE TAKEN AS FINAL LEGAL AUTHORITY. Information in this handbook is based on 2003 law. Benefits are based on the law in effect at your retirement date; thus, some information found here may not apply in specific cases. If this handbook differs with law or rules as the Board interprets them, the law or rules will apply. This handbook replaces all previous MPORS member handbooks.

## Montana Code

The law governing the MPORS may be found in Title 19, Chapters 2 and 9, Montana Code Annotated (MCA). MCA is available on line at: [leg.state.mt.us/css/mtcode\\_const/laws.asp](http://leg.state.mt.us/css/mtcode_const/laws.asp)

References to the pertinent sections of MCA and Administrative Rules of Montana (ARM) are provided in parenthesis throughout this publication.

# Introduction

## *Retirement Security for our Members Since 1974*

The Municipal Police Officers' Retirement System (MPORS) is a public pension plan for Montana police officers employed by first- and second-class cities and other cities that wish to adopt the plan. In 1974, the Legislature created the MPORS to grant a retirement, disability, or death benefit to plan members and their beneficiaries. As of June 30, 2003, membership of the MPORS consisted of the following:

### **MPORS Membership**

|                                                                                  |     |
|----------------------------------------------------------------------------------|-----|
| Number of participating employers.....                                           | 22  |
| Active plan members .....                                                        | 601 |
| Inactive plan members entitled to<br>but not yet receiving benefits or a refund: |     |
| Vested .....                                                                     | 17  |
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| Retirees and beneficiaries receiving benefits:                                   |     |
| Service Retirements .....                                                        | 524 |
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The Public Employees' Retirement Board (PERB) is an independent, seven-member board, appointed by the Governor to administer the MPORS and nine other retirement plans. The Montana Public Employee Retirement Administration (MPERA) does the day-to-day work. This handbook uses the terms “we,” “us,” the MPERA, and Board interchangeably.

Money that you pay into the MPORS earns interest and helps pay for your benefits. At the MPERA, we keep track of your money in your own account and credit your account with interest. We combine the funds from all accounts in a trust fund, which the Board of Investments invests. Income earned from investing the trust fund goes back into the trust fund. Only the Board may authorize payment from the trust fund. Current law limits benefit payments and refunds for members or their survivors. In addition, the Board must pay administrative expenses from the investment earnings. (§§ 19-2-408 and 19-2-505, MCA)

Every two years, an actuary must rate the trust fund's capability to pay the benefits earned by members. Based on the fund's strength and the actuary's advice, the Board may initiate changes in benefits or contribution rates. Benefits are set by law and only the Legislature may change them. Before each legislative session, the Board will review the sufficiency of the benefits and advise the Legislature. (§ 19-2-405, MCA)

MPORS is a defined benefit retirement system. The benefits you receive are based on your years of service and your final average compensation not on the amount of money you contribute and the interest which accrues to your account

## **Section I: Membership**

### **1. Membership Enrollment**

---

Membership is mandatory for all police officers employed by first- and second-class cities, and those other cities which choose to provide coverage under the Municipal Police Officers' Retirement System (MPORS). Membership service will begin for an individual police officer on the first day of employment, or on July 1, 1977, if the officer was employed by an employer providing MPORS coverage on that date, whichever is later.

In the case of a city that chooses coverage under the MPORS after July 1, 1977, the city's police officers become members of the MPORS either on their first day of employment with that city, or on the effective date of the city's election to join the MPORS, whichever is later. (§ 19-9-301, MCA)

### **Membership Cards**

New employees must complete a membership card upon starting work in a job covered by the MPORS. Your payroll clerk should provide you with this card on your first day of work. Complete the card and return it to the clerk who will send it to us. The information on it is necessary to administer your retirement. (ARM 2.43.402)

The MPORS will not pay a benefit or refund unless you have a membership card on file with us. A membership card is a vital record; you must keep it up-to-date. Update the card whenever any of the information on the card changes. To update your information, complete a new card and give it to your payroll clerk. The payroll clerk must send it to us. Marriage, divorce, births of children, and death of a beneficiary are reasons to update your card.

**NOTE:** The membership card allows you to list one or more beneficiaries in addition to your spouse and dependent children. Your spouse or dependent children are your beneficiaries under law. A beneficiary is requested to be named in the event of your death without leaving a “statutory” beneficiary. The beneficiary is eligible to receive any balance in a member’s account but does not receive monthly benefits. (See pages 28-30 for information on Death Benefits.)

## **Transfer of Membership to PERS**

An **injured non-vested member** who transfers to a Public Employees Retirement System (PERS)-covered position in the same municipality will receive credit for all service and accumulated contributions (contributions and interest) previously credited with the MPORS. The amount of employer contributions transferred will be equal to the amount that would have been contributed if the transferred service had been normal employment covered under the PERS. (§ 19-9-410, MCA)

## **Ineligibility for Other Retirement Plans**

An active member cannot be covered under any other mandatory retirement plan for police service. This includes any retirement plan to which an employer is required to contribute on the officer’s behalf. This limitation does not apply to social security. (§ 19-9-302, MCA)

## 2. Contributions ---

Contributions to the MPORS come from you, your employer and the state of Montana. The following is an explanation of contributions to the MPORS and what is expected of you and your employer.

### Member Contributions

All members must pay part of their gross pay to the MPORS in the amount explained below: (§ 19-9-710, MCA)

- Members covered under the Guaranteed Annual Benefit Adjustment (GABA) pay 9%. (See pages 31-32 for an explanation of the GABA.)
- Members first employed on or after July 1, 1997, pay 9%. (These members are covered under the GABA.)
- Members first employed on or before June 30, 1975 and not covered under the GABA, pay 5.8%.
- Members first employed after June 30, 1975 and before June 30, 1979 and not covered under the GABA, pay 7%.
- Members first employed after June 30, 1979 and before July 1, 1997 and not covered under the GABA, pay 8.5%.

**Interest:** Your MPORS account earns interest that is added to your account each month. The Board sets the rate based on trends and interest rates earned by short term U.S. Treasury notes and bills.

**The interest credited to your account will not affect the amount of your monthly retirement benefit,** however, if you end your MPORS-covered employment and leave your money on account, it will continue to earn interest. However, if you are not vested you must receive a refund of your account.

**Tax-Deferred:** Since July 1985, the money you contribute to the MPORS is tax-deferred. The interest your account earns has always been tax-deferred. This means you don't pay state and federal taxes until you receive the money as a benefit or refund. Any money you paid to the MPORS before July 1985 was taxed. In other words, you paid the taxes before your employer paid the money to the MPORS. If you have taxed money in your account when you retire or take a lump sum refund, then some of your refund or monthly benefit will be tax exempt.

**Purchase of Service:** When purchasing service, you may contribute amounts beyond your regular contributions. These additional payments are tax-deferred if you authorize payment by a payroll deduction contract. If these contributions are not made through payroll deduction or rollover, they are not tax-deferred. You will receive interest on service purchase payments at the same rate you receive interest on your regular contributions. All interest paid to a member's account is tax-deferred. (§§ 19-2-704, 19-2-708 MCA)

## **Employer Contributions**

Your employer contributes an amount equal to 14.41% of their total MPORS-covered payroll to the pension trust fund. Employer contributions are not refundable and provide "pooled" funds for retirement, disability, and death benefits.

(§ 19-9-703, MCA)

## **State Contribution**

The state of Montana annually contributes an amount equal to 29.37% of the total compensation paid to municipal police officers each year. These contributions are made to the retirement trust fund by the State Auditor as provided in § 17-7-502, MCA. (§ 19-9-702, MCA)

## Refund of Contributions

**Vested members** who end MPORS-covered employment may leave their money on account; it will continue to earn interest. Or, they may receive a refund of the money in their account in lieu of a monthly benefit. To request a refund, you must complete an application, which your employer will supply. The application has two parts, one for the member and one for the employer. You must complete the member section, then give it to your employer. Your employer will complete the application and send it to us. If you have been inactive for more than three months, you should contact us directly to apply for a refund. (§ 19-2-602, MCA)

**If you are not a vested member** (less than five years of membership service) at the time you terminate service and have less than \$5,000 in accumulated contributions (member contributions plus interest), you must request a lump sum refund. You may also roll your eligible contributions over to an IRA or eligible retirement plan. Inactive, non-vested members who have more than \$5,000 in accumulated contributions may leave their money on account and it will continue to earn interest. However, inactive, non-vested members are eligible only for a refund of the member's accumulated contributions and will have no right to any form of MPORS benefit. (§§ 19-2-602 and 19-9-301(5), MCA)

### Processing Refund:

We cannot process your refund before your employer sends us the application and the final payroll information. This process may take several weeks from the date you get your last paycheck. Extending your last day of work into a new pay period or month

**When you receive a refund, you are no longer a member of MPORS. You will have no right to any form of MPORS benefit.**

may increase the processing time.

If, after receiving a refund, you accept a MPORS-covered job, you must again become a member. We will consider you a new member without credit for the refunded service. You may purchase the refunded service to reinstate it for membership service and service credit. For more details, see Purchase of Service, on pages 14-16. (§ 19-2-603, MCA)

**NOTE:** If you receive your refund directly, the IRS requires us to withhold 20<sup>0</sup>% for tax purposes. The IRS may also charge you an additional 10<sup>0</sup>% penalty for early withdrawal. For more information see Taxes on Refunds, on pages 33-34.

3. Service 

---

The amount of time you work and contribute to the MPORS affects the amount of your retirement benefit. The monthly benefit you receive will depend on the number of years you work in a MPORS-covered job, whether you work full- or part-time, and your purchase of additional service.

Membership Service

We use membership service to determine if you are eligible for vesting, retirement, or other MPORS benefits. You vest for retirement after you accrue five years of membership service. Once vested, you are entitled to benefits if otherwise eligible. You earn membership service for all periods of service, whatever the hours you work or the pay you receive. (§§ 19-2-303 and 19-2-702, MCA)

Service Credit

Service credit is used to calculate the amount of your retirement benefit. You accumulate one month service credit for each month your employer reports you were compensated for at least 160 hours of service. You may not get credit for more than one month even if you work more than 160 hours during a month. A member compensated for less than 160 hours for any month will receive proportional service credit. (For example, if you were paid for 80 hours during a given month, you earn 0.5 months of service credit.) (§ 19-2-701, MCA and ARM 2.43.406-410)

The following full-time requirements are used when computing a MPORS member’s service credits:

|                  |                                            |
|------------------|--------------------------------------------|
| Until 6/30/75    | 2000 hours/year = 12 months service credit |
| 7/1/75 - 8/30/86 | 100 hours/month = 1 month service credit   |
| 9/1/86 - 6/30/87 | 160 hours/month = 1 month service credit   |
| 7/1/87 - 6/30/90 | 140 hours/month = 1 month service credit   |
| 7/1/90 - present | 160 hours/month = 1 month service credit   |

## Part-time Service

Upon retirement, the MPERA will adjust either your service credit or final average compensation if you work part-time. We will adjust one or the other to prevent a double reduction of your benefit. If you retire with a full-time salary, then we will not adjust your part-time service credits to calculate your benefit. You will not see the adjustment until retirement.

## Purchase of Service

Eligible members may purchase the various types of service identified on pages 15-16. Contact us for complete details about your eligibility. **A written request to initiate the cost statement is required.**

To request a cost statement to purchase service, you must write to us and provide the following information: your full name (including any former names), a current address, Social Security Number, and the type of service you wish to buy. You should also send us any documents that relate to the service. Your former employer can usually provide you copies of relevant documents. (ARM 2.43.428) We will review the request and send you a cost statement for buying any service for which you are eligible.

You must pay the lump-sum cost or start monthly payments within 30 days. After 30 days, the cost statement is not valid and you must contact us for an updated cost statement. Only the MPERA can give you a cost statement. A cost statement from any other source may not be used.

**Paying for Service Purchases:** You may pay for a service purchase in one lump-sum, or you may make monthly payments. Active members can make monthly payments by tax-deferred

payroll deduction. You may also purchase service through a roll-over of funds from an eligible retirement plan account belonging to you or a direct trustee-to-trustee transfer of funds from your 403(b) or 457(b) deferred compensation plan. Inactive vested members, members not paid monthly, or members who wish to self-pay, may send payments directly to the MPERA. These payments are not tax-deferred. If you fail to make a regular monthly payment, you give up the right to make any more payments. Your service purchase will be prorated. We will track your monthly payments in an additional contribution account until the service purchase is complete. Then we will transfer the money to your regular account and credit your account with the service.

Vested members may purchase most types of service at any time before retirement. Be aware that any delay may increase the cost. If the service purchase is not completed before the member retires, the service credit will be prorated; or, the member can make a lump sum payment to complete the service purchase.

(§§ 19-2-704, 19-2-708 MCA; ARM 2.43.441)

### **Service Which May Be Purchased:**

**1. Refund:** If you received a refund for previous service, you may buy this refunded service. Refunded service means you terminated your job, and the MPORS paid you the contributions and interest in your account. To buy the refund, you must repay the contributions and interest you received as a refund. You must also pay the interest the contributions would have earned if you had left it on deposit. (§ 19-2-602, MCA, and ARM 2.43.420 and 2.43.422 )

**2. Montana Public Service:** Members may also buy service refunded from other Montana statewide retirement systems. If the member is an inactive member of another system, the service and contributions may be transferred directly into the MPORS.

Contact us in writing for eligibility and a cost statement. (§ 19-9-405, MCA; ARM 2.43.420 and 2.43.422)

**3. Other Montana Public Service:** A member may purchase service credit for other full-time public service performed for the state or a political subdivision, if the service is not credited in any other retirement system. (§ 19-9-405, MCA)

**4. Military:** Members with at least five years of membership service may buy up to five years of active military service. Military service purchased by a member will be used for the purpose of calculating retirement benefits. If you are receiving a retirement for your military service, you may not buy that military service. (§ 19-9-403, MCA; ARM 2.43.437)

**5. Reserve Military Service:** Members with at least five years of membership service may purchase up to five years of reserve military service. Reserve military service will be used for the purpose of calculating retirement benefits. If you are receiving a retirement for your reserve military service, you may not buy that service. (§ 19-9-403, MCA)

**6. Additional Service (“1-for-5”) Purchase:** For each five-year period of membership service, you may buy one year of additional service credit. You may buy no more than five years of additional service. Additional service is not membership service and cannot make you eligible to retire. We will include all service credit when calculating the amount of your retirement benefit. (§ 19-9-411, MCA; ARM 2.43.432)

**Limitations:** Current law limits your purchase of military, reserve military, and additional service, to a combined total of five years. (§ 19-9-411(3), MCA)

## Personal Statement

Each August, the MPERA will send you a statement with information concerning your retirement account. If you have part-time service, the total service reported in your statement may seem wrong. The service reflects the service reported by your employer. When your employer reports you worked less than 160 hours, the system gives you less than one month of service credit. We will make adjustments for part-time service when you retire. Your service is adjusted to prevent a double reduction of your benefit for part-time service. However, if you work full-time somewhere else, then your final average compensation may be based on that full-time service. When your final average compensation is based on full-time service, we don't adjust your part-time service.

Carefully review your statement to verify that all the information is correct. If you have corrections or changes to any of the personal information, make a copy with the changes noted and send them to the MPERA. If you have questions concerning account information as it appears in your statement, please submit them to the MPERA in writing.

### **NOTE:**

We will correct mistakes in your account or service when we identify them, or at least before your benefit is final. Mistakes will not bind the MPERA to pay a benefit for which you are not eligible. If you think the service credit on your statement is wrong, please inform us in writing. Provide specific information, including your current address.

## Section II: Benefits

To receive retirement benefits under the MPORS defined benefit plan, you must fulfill certain age and service requirements. Retirement benefits are payable directly to you.

### 1. Qualifying for Benefits

#### Vesting

When you complete five years of **membership service** (explained on page 13), you become a vested member. Once vested, the MPORS guarantees you a retirement benefit after you reach the minimum age or service requirement.

#### Active Members

You are an active member if you are in a MPORS-covered job and making the required contributions to the system. If you are an active, vested member, you may terminate your MPORS-covered employment and leave your

#### Remember . . .

**Once you withdraw the money from your account, your membership ends. You lose your right to any benefits from the MPORS.**

contributions in the MPORS. You may apply for monthly retirement benefits when you are at least age 50. You could also take a refund of your account, rather than a retirement benefit. When you withdraw your account, you give up all vested rights. In other words, once you cash your refund check, you are not eligible for a monthly retirement benefit. (§ 19-9-301, MCA; ARM 2.43.603)

## **Inactive Vested Members**

A member does not need to be an active member to be vested. You become an inactive vested member when you end MPORS-covered employment and do not withdraw your MPORS account. Inactive vested members may buy any service for which they are eligible. Inactive vested members may apply for retirement after they meet the minimum age requirement. You give up your vested right to retirement benefits by taking a refund of your account.

( § 19-9-301, MCA)

## **Non-Vested Members**

If you quit your job before you vest, you may not continue to buy service. As a non-vested member, you will not be eligible for a retirement benefit. However, you are eligible for a refund of the money in your account. The MPORS will pay you interest until you receive the refund. See page 11-12 for information about refunds.

( § 19-9-301, MCA )

## **City-County Consolidation**

A law enforcement officer who transfers, either to or from the MPORS or the Sheriffs' Retirement System (SRS), because of city-county consolidation, is eligible for benefits if the officer's combined service in the MPORS and the SRS satisfies the requirements of the system to which the officer last made contributions. Eligibility for, and calculation of a benefit or a refund of contributions is governed by the provisions of the retirement system to which the officer last made contributions. The service retirement benefit will be a combined benefit from both systems. Each part of the combined benefit will be calculated separately, based on the member's service credit in each system and in compliance with the requirements of each system. Beneficiaries, contingent annuitants, and survivors will also receive a combined benefit with each part based on the requirements of the respective system. ( §§ 19-9-404 and 19-7-801, MCA)

2. Service Retirement

MPORS members are eligible to receive benefits upon meeting certain requirements. The following pages outline the benefits provided by the MPORS defined benefit plan.

Service Retirement

You are eligible for service retirement benefits when you complete 20 years of membership service at any age. (§ 19-9-801, MCA)

As stated earlier, the MPORS is a defined benefit plan. Defined benefit plans use a set or defined formula to calculate your benefit. (§ 19-9-804, MCA) The MPORS retirement benefit is based on your years of service credit and the average of the last 36 months of compensation. The basic formula for monthly service retirement benefit in the MPORS is:

2.5% x years of service credit x Final Average Compensation

An explanation of the factors follows:

- (A) Your years of service credit is the amount of full time service credit you earned (see page 13)
- (B) .025 (2.5%) is the factor that determines how much of your final average compensation you get for each year of service credit.
- (C) Final Average Compensation (FAC) is the average of your monthly compensation for the last 36 months of service.

Use these factors to quickly estimate your monthly benefit:

(A) Years of Service Credit  
(B) Factor x .025  
(C) Final Average Compensation (FAC) x  
Monthly Benefit =

Full Service Retirement Sample Calculation

|                                        |                   |
|----------------------------------------|-------------------|
| Kenny Retire, Age .....                | 45                |
| Service Credit .....                   | 20 years          |
| Final Average Compensation (FAC) ..... | \$3,000 per month |
| Account Balance at Retirement .....    | \$35,450          |

**Benefit Formula:** 2.5% x Service Credit (years) x FAC

**.025 x 20 x \$3,000 = \$1,500**

A benefit of at least \$1,500 is guaranteed to Kenny for the remainder of his life. Upon his death, a monthly benefit equal to the amount of Kenny’s benefit will continue to his surviving spouse, if there is one, for the remainder of her life. In the absence of a surviving spouse, the benefit would continue to a dependent child (or children, collectively) until there is no dependent child. A dependent child is one who is unmarried and either under the age of 18 or under the age of 24 and attending an accredited post-secondary educational institution as a full-time student.(§ 19-9-104 (2), MCA) In the absence of a surviving spouse or dependent child, and if Kenny had not received benefits equal to at least \$35,450 by the time of his death, his designated beneficiary would receive a lump sum payment of any balance in his account. (See pages 28-30 for an explanation of Death Benefits.)

Age 50 Retirement

A member with at least five years of membership service, who terminates service prior to becoming eligible for service retirement benefits, may elect to leave his or her accumulated contributions on deposit. **When the inactive member reaches 50 years of age**, the member is eligible to receive a service retirement benefit. (§ 19-9-801, MCA) The benefit will be calculated using the same formula for members with 20 or more years of membership service. (See page 20.)

Age 50 Retirement Sample Calculation

|                                        |                   |
|----------------------------------------|-------------------|
| Wanda Retire, Age at Termination ..... | 40                |
| Service Credit .....                   | 15 years          |
| Final Average Compensation (FAC) ..... | \$2,500 per month |
| Account Balance at Retirement .....    | \$25,495          |

Note: Retirement benefit payments may not begin before the member’s 50th birthday.

Benefit Formula: 2.5% x years of service credit x FAC

$.025 \times 15 \times 2,500 = \$937.50 \text{ per month}$

Wanda is eligible to receive \$937.50 per month when she reaches age 50. Upon her death, a monthly benefit equal to the amount of Wanda’s benefit will continue to her surviving spouse, if there is one, for the remainder of his life. In the absence of a surviving spouse, the benefit would continue to a dependent child (or children, collectively) until there is no dependent child. A dependent child is one who is unmarried and either under the age of 18 or under the age of 24 and attending an accredited post-secondary educational institution as a full-time student.(§ 19-9-104 (2), MCA)

In the absence of a surviving spouse or dependent child, and if Wanda had not received benefits equal to at least \$25,495 by the time of her death, her designated beneficiary would receive a lump sum payment of any balance in her account. (See pages 28-30 for an explanation of Death Benefits.)

### 3. Deferred Retirement Option Plan (DROP)

The Deferred Retirement Option Plan (DROP) provides MPORS active members who have at least 20 years of membership service with a retirement alternative. Participation in the DROP is optional, however, the decision to participate is irrevocable. (§§ 19-9-1202 and 19-9-1204, MCA)

#### **DROP Participation**

The DROP allows active MPORS members to begin accumulating their retirement benefit without terminating employment. A participant may elect a DROP period lasting from 1 to 60 months. While participating in the DROP, your monthly benefit payment remains in the MPORS trust fund, in a separate account. This is your DROP accrual. Your DROP accrual will continue to grow while you continue to work and receive your regular pay.

You and your employer will continue to pay the regular contributions to the MPORS while you participate in the DROP, however, you will not earn additional membership service or service credit. DROP participants may not receive a disability retirement, purchase service, receive service credit, or receive a refund. (§ 19-9-1205, MCA; ARM 2.43.1105 and 2.43.1108)

After you participate in the DROP and terminate employment, you will begin receiving your monthly service retirement benefit payment. You will also receive your DROP benefit as a lump sum payment. You may choose to have the lump sum paid directly to you or rolled into another eligible retirement plan as allowed by the IRS. There may be tax implications if you receive the DROP accrual as a lump sum. (§ 19-9-1208, MCA ; ARM 2.43.1112)

To apply for the DROP you must send an information request to the MPERA that includes your full name, Social Security Number, mailing address, and date of birth. (ARM 2.43.1104)

**NOTE:** If your MPORS-covered employment is terminated during the DROP period, your DROP benefit will be paid as you direct and payment of your monthly service retirement benefit will begin. The DROP period ends on the last day of the last full month of active service.

## **DROP Survivorship Benefits**

If you die while participating in the DROP, your surviving spouse, or dependent children if there is no spouse, is entitled to receive your DROP benefit. Your surviving spouse or dependent children are also entitled to your monthly retirement benefit. If you have no surviving spouse or dependent children, then your designated beneficiary will receive the balance of your retirement account and a lump-sum payment of the DROP benefit. (See pages 28-30 for information on Death Benefits.) (§ 19-9-1206, MCA)

## **MPORS-Covered Employment After DROP**

You may continue to work after the DROP period ends, but you will be considered newly hired. You will not receive your service retirement benefit or your DROP accrual during the time you continue to work. Your DROP accrual will continue to earn interest at the same rate as the trust fund.\* Also, you will earn an additional retirement benefit based on your final average compensation and service credit earned **after** DROP participation. Your DROP benefit is based on your highest compensation **before** the DROP period began. (§ 19-9-1207, MCA)

\*Interest: The interest rate will be fixed at the end of each fiscal year (June 30) and will equal the total rate of return for the trust

fund. Interest rates for any part of the current fiscal year will be based on the previous year's total rate of return. If the rate of return is negative, then you will earn 0% interest for the following year. (ARM 2.43.1111)

**Distribution of DROP Benefit**

When your DROP period ends and MPORS-covered employment is terminated, you will begin receiving your MPORS monthly retirement benefit payment, and your DROP benefit will be distributed to you. You will receive your DROP benefit as a lump sum or a direct rollover to another eligible retirement plan as allowed by the IRS. If you do not designate a distribution method within 60 days after termination of employment, the DROP benefit will be paid directly to you in a lump sum. Required federal and state withholding will reduce any lump-sum payment. (§ 19-9-1208, MCA and ARM 2.43.1112)

## 4. Disability Retirement

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A member who becomes disabled is entitled to a disability retirement benefit, regardless of the length of the member's service. The disability does not have to be work-related, but the disability must occur while the member was employed in an MPORS-covered position. The monthly disability retirement benefit will begin on the day following the member's termination from service. (§§ 19-2-303 and 19-9-902, MCA)

### Disability Benefit

A member who is disabled before earning 20 years of service credit must receive a disability retirement benefit equal to one-half the member's final average compensation. A member with more than 20 years of service credit at the time of an injury or disability which occurs after July 1, 2003, must receive a disability retirement benefit calculated at the rate as for a service retirement benefit. See page 20 for Service Retirement. (§§ 19-2-303 and 19-9-903, MCA)

### Disability Reviews

At its discretion, the Board may review the medical condition of any member receiving a disability. Periodic reviews are performed to decide if the member still qualifies for disability retirement. The Board may require the recipient of a disability retirement benefit to undergo a medical examination. The expense of the examination will be paid by the Board.

**Periodic reviews are performed to decide if the member still qualifies for disability retirement.**

If the Board determines the recipient is no longer disabled, the officer must be reinstated to the position held immediately before retirement or to a position in the same classification and within the member's capacity, whichever is first available. If the retired member becomes an active member within 30 days of being notified of reinstatement, the member must be considered to have been continuously employed during the time of the member's disability. (§§ 19-9-904 and 19-9-905, MCA)

## **Disability Benefit Cancellation**

The Board will cancel a member's disability retirement in the following cases: (§ 19-9-904, MCA)

- ☐ The member is no longer totally disabled and is offered a position with the employing city; or
- ☐ The retiree refuses to submit to a medical examination.

Upon notification of an officer's eligibility to return to work, the employer may request a medical or psychological review of the ability of the member to return to work. If the Board's findings are upheld, the city must pay the cost of the review. (§ 19-9-905, MCA)

## **Payment of Disability Allowance**

Unless canceled by the Board for reasons described above, the disability benefit will be paid to the disabled officer for the rest of the officer's life. Upon the disabled officer's death, the benefit will be paid to the surviving spouse or dependent child. This is the same as provided for under a service retirement benefit. (See Death Benefits on the following page.) The member (or survivors) will receive benefit increases, such as the GABA. (See pages 31-32 for information on the GABA.) (§§ 19-9-903(2) and 19-9-804, MCA)

## Section III: Additional Information

### 1. Death Benefits

#### Beneficiaries

Upon your death, your surviving spouse (the person married to you at the time of your death) or your surviving dependent children (if you have no surviving spouse) are the beneficiaries of your retirement benefit. In the absence of a surviving spouse, the benefit will continue collectively to dependent children, until there are no dependent children. A dependent child is one who is unmarried and either under the age of 18 or under the age of 24 and attending an accredited post-secondary educational institution as a full-time student. (§ 19-9-104 (2), MCA)

You may also designate one or more beneficiaries when filling out your MPORS membership card. If you leave no surviving spouse or dependent child at the time of your death, your designated beneficiary will be eligible to receive any balance

**Keep your designation of beneficiaries current. You may change your beneficiaries only by completing a new membership card.**

in your account. A designated beneficiary may be any person, charitable organization, or trust you wish to name. You must designate beneficiaries on a MPORS membership card and give the card to your payroll clerk. The clerk will send the card to us. You may name new beneficiaries by sending us a new membership card. If you are an inactive member, contact us and we will send you a new membership card. (§ 19-2-801, MCA)

**NOTE:** Advise your beneficiary to contact the MPERA for complete details about benefits upon your death.

## **Death Benefit Claim - Active or Inactive Member**

Upon notification of a member's death, we will send a death benefit claim form to your beneficiary. To make a claim for a death benefit, the beneficiary must complete and return the form to the Board along with written proof of the member's death. A copy of the death certificate is the best document to send.

## **Death After Retirement**

Your retirement benefit will continue to be paid to your spouse upon your death. If there is no surviving spouse, or upon the death of the surviving spouse, the benefit will continue to be paid to your surviving dependent children. If there is no surviving spouse or dependent child, the designated beneficiary will receive your remaining account balance. Your remaining account balance is your contributions plus interest to date of retirement minus any retirement benefit payments you received. If there is no beneficiary to receive the benefit, the amount will be paid to your estate. (§§19-9-804(2) and 19-9-1102, MCA)

## **Death Prior to Retirement**

Upon the death of a member before retirement, the member's surviving spouse, or dependent child, if there is no surviving spouse, will receive benefits or a refund as stated below:

- If the member has not completed 20 years of membership service, the monthly benefit will be equal to one-half the member's final average compensation.
- If the member has completed over 20 years of membership service, the monthly survivorship benefit must equal 2.5% of

the member's final average compensation for each year of membership service.

- If the member is an inactive non-vested member, the member's surviving spouse or dependent child will receive a refund of the accumulated contributions (member contributions plus interest).

## 2. Benefit Increases

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### Retirement Benefit Increases

Members (or survivors) not covered under the Guaranteed Annual Benefit Adjustment (GABA) must receive a minimum benefit adjustment. The minimum retirement benefit payment for each fiscal year may not be less than one-half of the base salary paid in the current fiscal year to a newly confirmed police officer in the city or town that last employed the retired member. (§ 19-9-1007, MCA)

Police officers who were active members of the MPORS before July 1, 1997, could choose to be covered under the GABA. Members who chose to be covered under the GABA, and those who became active members on or after July 1, 1997, will receive retirement benefit increases under the GABA as explained below. (§ 19-9-1009, MCA)

### GABA

The GABA insures a **minimum** increase of 3% over the previous year. Other increases to your benefit will reduce the amount you get from the GABA. If the other increases are 3% or more, then you will get no GABA increase. (§ 19-9-1009, MCA)

The GABA applies to:

- Service Retirement
- Disability Retirement
- Survivorship Benefit

## Eligibility for GABA Benefits

You must meet some conditions before you will get an increase under the GABA. First, you must receive your benefit for at least 12 months. For example, if you retired on July 1, 2004, you will meet the 12-month requirement on July 1, 2005. You will receive your first GABA increase beginning with your January 2006 benefit as explained below.

## Effective Date of GABA Benefits

The annual GABA increase for the calendar year begins with the January benefit after you have been retired for 12 months. We will apply the increase of three percent beginning with your January benefit. The monthly benefit is mailed to you or transferred electronically to your bank on the last working day of the month.

### NOTE:

Your January benefit payment is mailed to you on the last working day of January. If you get your benefit by electronic transfer, the transfer takes place on the last working day of January. However, your bank may not add the transfer to your account until the next working day. With electronic transfer, you receive your money one or two days sooner than with a paper check through the mail.

## GABA Increases for DROP Participants

A member participating in the DROP who chooses to receive the GABA will receive the GABA increases on their monthly DROP accrual during their DROP participation. A member who did not choose the GABA will receive the minimum benefit increases to their monthly DROP accrual. A member who continues to work **after** the DROP period will not receive GABA increases during the period of post DROP employment.

### 3. Taxes on Benefits

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Some or all of your retirement benefit will be subject to federal and state income taxes. You must pay taxes on any part of your benefit that was not taxed during your working career. You paid income tax on any money you contributed before July 1, 1985. Also, you paid the tax on any additional contributions you paid through payroll deductions to buy service before the year 2000. You have not paid taxes on the money you have contributed since July 1, 1985. Nor have you paid taxes on the interest your account earns. If some of your benefit comes from tax-deferred money you must pay taxes on that part.

#### Tax Statements

Each year we will send you a Distributions Form (Federal Form 1099R). The 1099R is similar to a W-2 Form. We send the form to all people who receive any payment from the MPORS, not just the member. The 1099R will show the gross taxable amount you received during the past calendar year. This form will also show any state or federal taxes withheld during the year. We base withholding rates on current federal and state tax laws.

Tax laws that apply to retirement benefits change frequently. You should contact a tax professional for specific, up-to-date information about state and federal taxes.

#### Taxes on Refunds

The tax-deferred portion of a retirement lump-sum refund is subject to state and federal taxes. If you receive the refund, the IRS may assess an additional 10% penalty for early withdrawal. We will also withhold 20% for tax purposes if we send the refund directly to you.

Taxable amounts for state and federal taxes may be different. You may avoid paying the withholding tax by “rolling-over” the taxable part into an IRA or other eligible retirement plan. Rolling over your refund also allows

you to avoid the penalty. If you accept a lump sum payment, IRS rules allow you 60 days to reinvest or roll the refund over into an eligible retirement plan. Be prepared to provide the IRS documentation of this reinvestment or roll-over to avoid paying the 10% penalty.

**If you accept a lump sum payment, IRS rules allow you 60 days to reinvest or roll the refund over into a qualified plan.**

Remember, when you receive the refund directly, we must withhold 20% for taxes. The amount withheld may or may not be enough to pay any tax or penalty you may owe. If the IRS assesses a penalty, you must pay it when you file your income taxes. You must provide documentation to the IRS of your reinvestment or “roll-over” of your refund, as described above, to avoid payment of the penalty.

You will receive a Distributions Form (Federal Form 1099R) for the refund. It will list the gross distribution, the taxable part, and any federal or state taxes withheld from the refund. The 1099R is an important document that you must keep for your tax records. We will not send you another 1099R at the end of the year. If you lose your 1099R, you can request a duplicate from us.

## 4. Assignment of Benefits

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In very limited cases, the court may assign your MPORS benefits to another person. This includes a Family Law Order (FLO). A FLO must be a judgment, decree or order of a Montana court. It may give all or part of your retirement payment rights to someone else. Courts from other states may also assign your benefit with a Support Obligation. Support Obligations must meet requirements similar to those for a FLO. (§§ 19-2-907 and 19-2-909, MCA)

Your retirement benefit may not be assigned to another person under ERISA, a federal law governing private pension benefits; nor may a Qualified Domestic Relations Order assign your benefits to another person. However, the IRS may place a levy against your benefit for unpaid taxes.

### Family Law Order (FLO)

A FLO may require the MPORS to pay all or part of your benefit or refund to another person. That person is an alternate payee. A Montana court may issue a FLO for child or parental support, spousal maintenance, or marital property rights. The FLO may require that you pay an alternate payee a set sum or percentage of your benefit. For example, the FLO may require you to pay \$500 per month until you pay a set sum of \$12,000. Or, the FLO may require you to pay 50% of your monthly benefit for as long as you get a benefit.

A FLO may not require the MPORS to pay a type of benefit unless that benefit is available to you. Nor can a FLO require an amount or length of payment greater than payable to you. This means a FLO cannot require the MPORS to make any payments before you retire or take a refund. Also, it may not require payments that are more than the amount the MPORS may pay you. (§§ 19-2-907 and 19-2-909, MCA; ARM 2.43.1701-.1705 and ARM 2.43.1113)

## 5. For More Information

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If you want an estimate of your benefit, or a cost statement for buying service, please contact us in writing. Any estimates you get from any other source may be wrong. The MPERA is not responsible for any information from other sources. You must contact us for application forms if you are considering service or disability retirement. You should instruct your beneficiaries to contact us in the event of your death. When you correspond with the MPERA by mail or fax, please include your full name, printed **and signed**, your Social Security Number, and your return address and daytime telephone number.

**Mailing Address:**      **MPERA**  
                                 **PO Box 200131**  
                                 **Helena MT 59620-0131**

**FAX Number:**            **406-444-5428**

You may also e-mail requests to the MPERA. Be sure to include your full name, Social Security Number, and return address and daytime telephone number.

**E-mail Address:**        **Mpera@state.mt.us**

We invite you to call or visit the MPERA in Helena at 100 North Park Avenue, Suite 200. Our office hours are Monday through Friday, 8:00 a.m. to 5:00 p.m, except on designated state holidays. **It is most helpful for staff if you make an appointment in advance when you are planning to visit our office.** Phone our office at 406-444-3154 or toll free, 877-275-7372. If our phone lines are busy when you call, you may have to leave a voice mail message. Be sure to leave your name, telephone number, and Social Security Number first, then a brief message.

**NOTE:** To avoid confusion, you should put in writing any questions requesting **specific details** about retirement options or service credit. We will give you a **specific written response**.

## GLOSSARY OF TERMS

**ACTIVE MEMBER** - a member in a MPORS-covered job, making the required contributions, and properly reported for the most current reporting period.

**ACTUARIAL COST** - the amount determined by the Board which is due from the member to purchase service into the MPORS. The cost is based on actuarial rates derived from an biennial evaluation.

**ADDITIONAL CONTRIBUTIONS** - a member's payments to purchase various types of optional service credit.

**BENEFICIARY** - the surviving spouse or dependent child is the statutory beneficiary. In the absence of a surviving spouse or dependent child, the person a member names to receive any survivorship benefits or lump-sum payments upon the member's death.

**BENEFIT** - a service or disability retirement payment or survivorship payment provided by the MPORS.

**COMPENSATION** - a member's salary before any pre-tax deductions allowed by the Internal Revenue Code are made.

**DEPENDENT CHILD** - A child of a deceased member: who is unmarried and under 18 years of age; or who is unmarried, under 24 years of age, and is a full-time student enrolled in an accredited postsecondary educational institution.

**DISABILITY** - total physical or mental incapacity of a member to do the essential functions of the member's job. You must become disabled while an active member, and it must be permanent or of an extended or uncertain period.

**DROP** - Deferred Retirement Option Plan

**DROP ACCRUAL** - the amount of money that has accrued to a DROP participant and includes the monthly DROP accrual plus post retirement adjustments, times the applicable number of months of participation, and interest.

**DROP PERIOD** - the period of time that a member elects to participate in the DROP. It may not be less than one month or more than five years.

**EMPLOYEE** - a person employed by a MPORS employer in any capacity and the employer pays the person's salary.

**FAMILY LAW ORDER (FLO)** - an order from a Montana court that may assign all or part of a participant's payment.

**FINAL AVERAGE COMPENSATION** - The monthly compensation of a member, averaged over the last 36 months of the member's service or, in the event a member has not been a member that long, over the period of membership.

**FISCAL YEAR** - the 12-month period starting July 1 and ending the following June 30.

**INACTIVE MEMBER** - a member who ends MPORS-covered employment and does not withdraw his or her MPORS account.

**LUMP-SUM PAYMENTS** - amounts, which may include interest, that are

payable instead of monthly benefits.

**MEMBER** - any person with contributions and service on account with the MPORS. Persons receiving retirement benefits based on previous service credit are also members.

**MEMBERSHIP SERVICE** - the periods of service used to decide vesting and eligibility for retirement or other benefits. You get 1 month of membership service for any month you contribute to the MPORS. Even if you only work one day during that month. If you contribute anything, you get credit for the whole month.

**MINIMUM RETIREMENT DATE** - the first day of the month coinciding with or, if none coincides, the date on which a member both becomes age 50 and completes five years of membership service.

**MONTHLY DROP ACCRUAL** - the amount equal to the monthly benefit that would have been payable to the participant had the participant terminated and retired.

**PART-TIME EMPLOYMENT** - any month during which the employer pays the member for less than 160 hours.

**PARTICIPANT** - a member, beneficiary, survivor, or contingent annuitant who is receiving, or may receive, a benefit or payment from the MPORS.

**REFUND** - a withdrawal of all the money in a member's MPORS account. By taking a refund, the member gives up all rights to any other benefits from the MPORS.

**REGULAR CONTRIBUTIONS** - the payments an active member must make to the MPORS. The payments are a percentage of the member's monthly pay and are tax-deferred.

**REGULAR INTEREST** - the payments made to a member's account at rates set by the Board. This interest is tax-deferred. Also, the amount charged to buy service on a monthly payment plan. These rates may not be the same.

**RETIREMENT BENEFIT** - the monthly payment to a member, for life, following service or disability retirement.

**RETIREMENT or RETIRED** - the status of a member who ends active service and receives a monthly benefit.

**SERVICE** - employment of an employee in a position covered by a retirement system.

**SERVICE CREDIT** - the periods in which you contribute the required money to the MPORS. The MPORA uses service credit to calculate the amount of your benefit. If you work 160 hours or more in any month, you get 1 month of service credit. If you work less than 160 hours, you will receive credit for a partial month. For example, if you work 80 hours, you receive  $\frac{1}{2}$  of a month of service credit.

**STATUTORY BENEFICIARY**-the surviving spouse or dependent child is the statutory beneficiary.

**SURVIVING SPOUSE** - the spouse married to a member at the time of the member's death.

**SURVIVOR** - a surviving spouse or dependent child of a deceased member.

**VESTED MEMBER or VESTED** - the status of a member with at least five years of membership service. A vested member is entitled to retirement when they meet the minimum service or age provision.

## **Alternate Accessible Format**

The MPERA will provide alternative accessible formats of this document upon request. Persons with disabilities, who need an alternative accessible format of this information, should contact us.

### Write to:

Attn: Carolyn Miller  
MPERA  
PO Box 200131  
Helena, MT 59620-0131

### You May Contact the MPERA at:

Telephone: 406-444-3154  
Toll Free: 877-275-7372  
Fax: 406-444-5428  
e-mail: [mpera@state.mt.us](mailto:mpera@state.mt.us)

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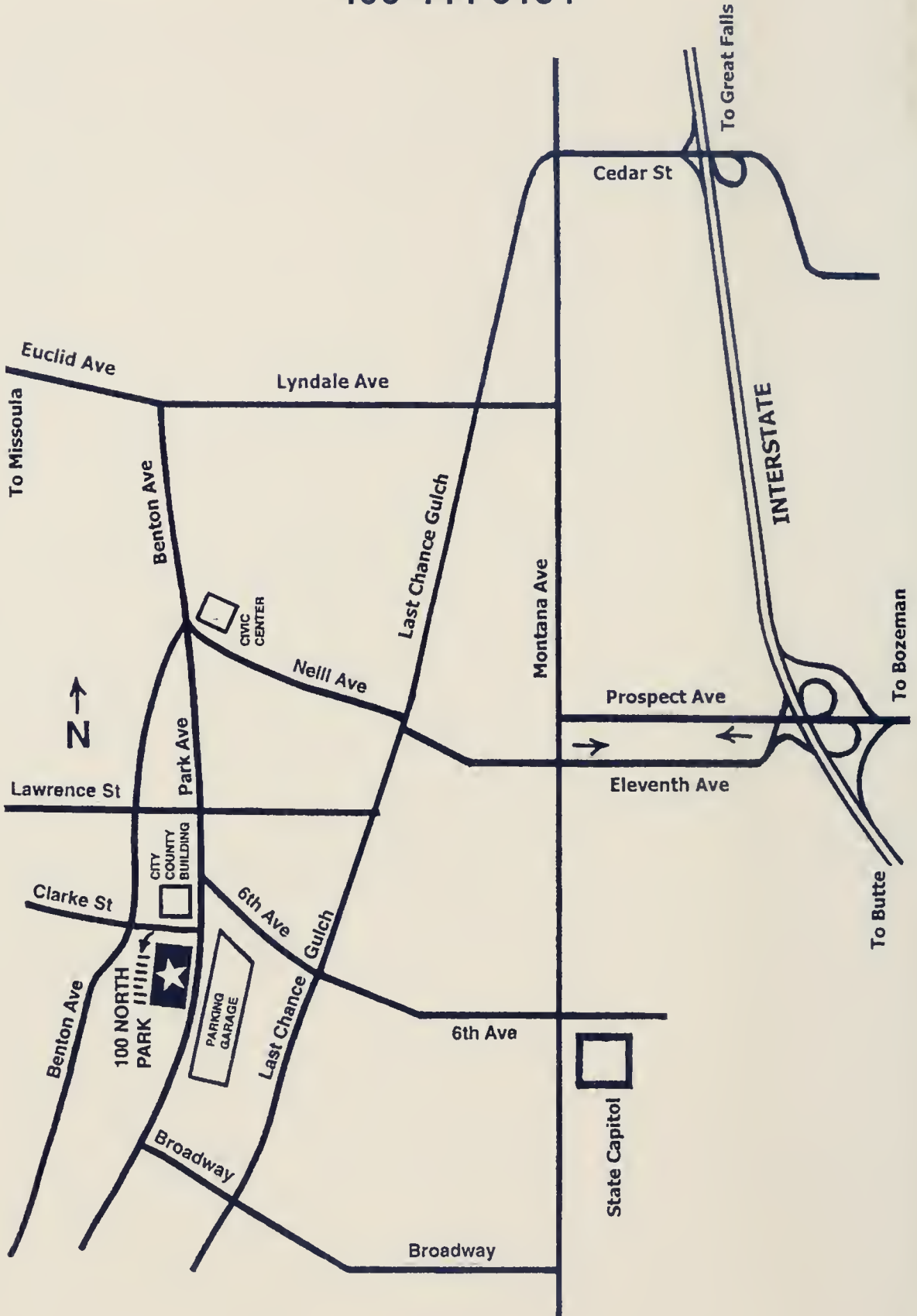
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